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ABSTRACT

One of the working papers in the final report of the Arizona Board of Regents' (ABOR) Task Force on Excellence, Efficiency and Competitiveness presents an overview of the State of Arizona ABOR, and university state operating budget request processes. This overview includes a 25-year state funding, productivity, and performance output history of Arizona's three public universities. Part 1, the general overview, includes the following: Arizona budget process; ABOR budget; public service; academic support; student services; institutional support activities; state operating budget revenue sources; the university state operating budget process; ABOR budget request guidelines, review, and approvals; and legislative session budget hearings and annual appropriations. Part 2, the 25-year state funding, productivity and performance output history, presents data on the Arizona State University main campus, Northern Arizona University, and the University of Arizona main campus. It covers state operating funds; general fund appropriations; registration fees and tuition; state and local collections; student, undergraduate, and graduate headcount enrollments; full time equivalent student enrollments; and university, baccalaureate, and graduate degrees conferred. There are 26 recommendations and conclusions made on: the state budget development process and budget forms; the state budget request cycle and university budget requests; inflation and university budgets; state operating budgets by state program; registration fees and tuition; scholarships and waivers; university enrollments; and university degrees conferred. Twenty-two tables and charts are included. (SM)

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AN OVERVIEW OF THE STATE OF ARIZONA, ARIZONA BOARD OF REGENTS, AND UNIVERSITY STATE OPERATING BUDGET REQUEST PROCESSES INCLUDING A TWENTY FIVE YEAR STATE FUNDING, PRODUCTIVITY AND PERFORMANCE OUTPUT HISTORY OF UNIVERSITY OF ARIZONA MAIN CAMPUS, ARIZONA STATE UNIVERSITY MAIN CAMPUS AND NORTHERN ARIZONA UNIVERSITY

ALAN W. CARROLL

STATE OF ARIZONA BUDGET PROCESS

"The governor shall prescribe the forms to be used by the budget units in submitting their budget estimates and requests for appropriations... and shall prepare necessary instructions for guidance of officials in preparing such budget estimates and requests." [ARS 35-112.]

According to the Executive Budget Office (EBO), the forms, "provide a means for each state agency to submit a budget request for the amount of money and positions which will be needed to perform those functions that it is authorized or required by law to perform.

The development of a budget request represents the best planning efforts of an agency and is not simply an inflated version of last year's budget". (State of Arizona Executive Budget Schedules and Instruction Manual, Fiscal Year 1988.)

The EBO requires that state agencies (including the Arizona Board of Regents and the universities) submit incremental budget requests in program budgeting formats. The incremental requests identify marginal "base budget" increases (or decreases) needed to fund current service levels during the next fiscal year, and to fund new and/or expanded programs. The program budget format identifies and defines a state agency's major functions and activities. A state agency's state budget request includes both the estimated needs for a "continuation budget", and for new and expanded programs.

Alan W. Carroll has served as Budget Director at Arizona State University for ten years. He also serves as a member of various Board of Regents and tri-university councils and task forces. Prior to joining the ASU administration, Mr. Carroll spent seven years as a budget analyst with the Executive Budget Office and the Joint Legislative Budget Committee at the State of Arizona.

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CONTINUATION BUDGET REQUESTS

State agencies refer to estimates of state operating budget funding levels required to maintain currently authorized programs during the next fiscal year as "continuation", or "current services", budget requests.

The universities include student enrollment driven formula funding requests within their continuation budgets. The formula, called "22 to 1", provides one additional (or one less) faculty position for every increase (or decrease) of 22 full time equivalent students. The formula also provides a .75 staff position and operations funding requested to support each new faculty position.

NEW OR EXPANDED PROGRAMS

The state operating budget requests also include estimates of the personnel needs and funding levels required to support new or expanded programs. The universities usually identify these additional funding requests as "decision packages", while EBO and other state agencies usually refer to them as "policy issues", or "program changes".

PROGRAM BUDGETS

The state operating budget requests also provide the format for a detailed review and analysis of an agency's programmatic elements (services, major functions and activities). The budget programs also provide the legislature with an annual "basis for appropriation" for the universities. While the legislature usually appropriates funds separately to each program within a state agency, ABOR, and each university receives its funding for the total budget, rather than for each budget program within the total.

The annual appropriations act, therefore, provides ABOR and the universities with a great degree of fiscal flexibility not afforded to many state agencies.

ABOR BUDGET

The ABOR state budget request consists of two programs: (1) Regents, Staff and Western Interstate Commission for Higher Education (WICHE) and; (2) Arizona Postsecondary Education Commission. These two programs provided the following 1987-1988 ABOR "basis for appropriation" (prior to a 1988 legislative expropriation).

FTE Positions	24.75
Personal Services (salaries and wages)	\$ 1,281,400
Employee Related expenditures (benefits)	236,300
Operations (travel, supplies, equipment, etc.)	207,000
Operations Subtotal	\$ 1,726,700
Statewide Planning [university strategic planning and cost study]	200,000
WICHE Office Expenses	59,000
WICHE Student Subsidies [support to Arizona students enrolled in health related programs outside Arizona]	1,626,200
State Student Incentive Grant (SSIG) Program [a match of federal scholarship funds for postsecondary education students demonstrating financial need]	1,143,000
Course Equivalency Guide [publishing costs]	12,100
Postsecondary Data Project [research and analysis, data collection, information dissemination related to post-secondary education opportunities in Arizona]	18,000
Total Appropriation	\$ 4,986,100

UNIVERSITY BUDGETS

The university program budget requests consist of six programs: Instruction, Organized Research, Public Service, Academic Support, Student Services, and Institutional Support. The University of Arizona (UA) Main Campus, however, includes Agriculture as a seventh program. The UA College of Medicine request includes only the Instruction, Academic Support and Institutional Support programs. Arizona State University (ASU) has presented its West Campus budget request as a single program during the formative stages of that campus.

<u>UA MAIN CAMPUS</u>	
FTE Positions	4,868.2
Personal Services	\$122,662,808
Employee Related Expenditures	10,941,500
All Other Operating Expenditures	39,719,800
Agriculture	32,023,428
Total Operating Budget [State Expenditure Authority]	\$216,349,500
Collections [mainly tuition and fee revenue]	(38,020,200)
Other Receipts	(4,599,500)
Balances Forward [from prior year]	-0-
Total General Fund Appropriation	\$173,729,800
Funded FTE Student Enrollment (22:1 formula)	25,860.0

<u>UA COLLEGE OF MEDICINE</u>	
FTE Positions	582.7
Personal Services	\$ 22,251,100
Employee Related Expenditures	3,589,900
All Other Operating Expenditures	7,027,000
Clinical Teaching Support (cost of hospital training for clinical assistants, medical students, residents and interns - contracted services)	8,849,900
Total Operating Budget	\$ 41,717,900
Collections	(1,565,300)
Other Receipts	(50,000)
Balances Forward	-0-
Total General Fund Appropriation	\$ 40,102,600

<u>ASU MAIN CAMPUS</u>	
FTE Positions	4,471.3
Personal Services	\$132,172,800
Employee Related Expenditures	23,168,700
All Other Operating Expenditures	43,853,200
Total Operating Budget	\$199,144,800
Collections	(44,604,200)
Other Receipts	(1,177,800)
Balances Forward	-0-
Total General Fund Appropriation	\$153,362,800
Funded FTE Student Enrollment	30,636.0

<u>ASU WEST CAMPUS</u>	
FTE Positions	217.9
Personal Services	\$ 5,298,508
Employee Related Expenditures	1,008,800
All Other Operating Expenditure	1,904,400
Sundown Programs	750,000
Total Operating Budget	\$ 8,463,700
Collections	(1,000,000)
Other Receipt	-0-
Balances Forward	-0-
Total General Fund Appropriation	\$ 7,463,700
Funded FTE Student Enrollment	679.0

<u>NORTHERN ARIZONA UNIVERSITY (NAU)</u>	
FTE Positions	1,520.8
Personal Services	\$ 42,928,900
Employee Related Expenditures	7,903,400
All Other Operating Expenditures	15,071,000
Total Operating Budget	\$ 66,903,300
Collections	(11,109,800)
Other Receipts	(490,000)
Balances Forward	(100,000)
Total General Fund Appropriation	\$ 55,203,500
Funded FTE Student Enrollment	10,874.0

INSTRUCTION

Instruction includes teaching, departmental research (basic research programs and research directed toward the transfer of knowledge in a classroom setting - not organized research activities) and faculty public service (assisting and transferring knowledge to the general public). This program includes the colleges and schools within each university.

ORGANIZED RESEARCH

Organized Research consists of research activities conducted within formally organized and ABOR approved research divisions, bureaus, institutes, and experimental stations. These units direct their principal activities toward the acquisition and application of new knowledge especially beneficial to the state and the nation, as opposed to the basic research programs, and research directed by instructional departments toward the transfer of knowledge within the classroom.

PUBLIC SERVICE

Public Service contains university activities primarily directed toward serving the general public, but excludes faculty public service. Program activities include the university television and radio stations, et. al.

ACADEMIC SUPPORT

Academic Support units primarily support the Instruction, Organized Research, and Public Service programs. Budget units within this program include libraries, museums, graduate colleges, academic vice presidents' offices, media services, academic computing services, and others.

STUDENT SERVICES

Student Services provides program activities directed toward serving students. These activities include undergraduate admissions, registration, student health services, counseling, financial aid, and others.

INSTITUTIONAL SUPPORT ACTIVITIES

Institutional Support activities support all other university programs. Institutional Support includes: the total university utilities costs; accounting, purchasing, personnel, budget, telecommunications, and alumni services; presidents', administrative and financial vice presidents' offices, and physical plant operations, among others.

AGRICULTURE

This UA Main Campus program includes the College of Agriculture, the Agricultural Experiment Station, the Cooperative Extension Service, et. al., and primarily represents the state's support of federal land grant university programs.

The ABOR Central Office and EBO staffs developed the university state budget program structure in 1973, and the universities first presented it with their 1974-1975 state budget requests. It generally conforms with the program structures designed by the National Commission of Higher Education Management Systems (NCHEMS) and WICHE. Many colleges and universities in the United States utilize one of these cost allocation structures.

These programs provided the following original 1987-1988 legislative "basis for appropriation" for each of the university

budgets (prior to 1988 legislative expropriations).

STATE OPERATING BUDGET REVENUE SOURCES

The following revenue sources support the university state operating budgets (legislative expenditure authority).

COLLECTIONS

Collections consist of student registration fees (paid by all registrants) and tuition (paid by nonresident registrants only) revenue. The ABOR authorizes the universities to retain a portion of tuition and fee revenue for bonding debt service, plant projects (maintenance of buildings), a match for state building renewal funds, and some operating budgets not supported by the state. The universities deposit the balance of their tuition and fee revenue with the State Treasurer as Collections. This annual deposit averages about seventy percent of tuition and fee receipts. Collections also includes ten percent of annual summer sessions revenues, and some miscellaneous student fees (mainly late registration fee charges).

OTHER RECEIPTS

Other Receipts includes state lands trust revenue. The state receives revenue from the sale and lease of state lands dedicated to, and held in trust for the State Department of Education and the universities. The State Land Department prorates the funds to these entities in accordance with state law. The universities also reimburse the state for the funding of employer contributions to the university optional retirement plans. These state funded contributions revert when employees leave a university prior to meeting a five year vesting period.

The UA Main Campus also includes the federal land grant university agriculture program revenue in Other Receipts.

BALANCES FORWARD

The universities budget for the coming fiscal year all actual unexpended and uncommitted state operating budget balances remaining from the past fiscal year. State law exempts the universities from a requirement that state agencies revert unexpended funds at the close of a fiscal year.

GENERAL FUNDS

General funds consist of state general tax revenues.

THE UNIVERSITY STATE OPERATING BUDGET PROCESS

INTERNAL BUDGET PROCESS

The universities' internal state budget process establishes needs and priorities for current and planned programs and activities, and the funding requirements for their support, including state appropriations.

The ABOR requires the universities to identify program needs that support their ABOR approved missions and scope and current ABOR short and long range goals (e.g., improve undergraduate education, improve minority student recruitment and retention, etc.).

This process provides the framework for the universities to describe and justify to ABOR, the governor, and the legislature their current, new or expanded program plans and needs. The process also provides decision makers with the tools to rationally and equitably allocate

resources in support of university plans and programs.

The state operating budget process begins approximately eighteen months prior to the fiscal year of the budget request. In January, the presidents issue decision package development guidelines to their vice presidents. These guidelines establish general university goals and objectives for the budget request year, and identify ABOR priorities within the mission and scope of each university. Colleges and departments develop their decision package requests within the parameters of the presidents' guidelines, and any additional directions from the responsible vice president.

ABOR BUDGET REQUEST GUIDELINES, REVIEW, AND APPROVALS

In June, or thirteen months before the start of the budget request fiscal year, ABOR establishes funding limits for each university's decision package requests. ABOR usually sets the decision package request limits at an equal percentage of each university's total state operating budget as of July 1. (For 1988-89, ABOR established the decision package request ceiling at ten percent of each university's 1987-88 state operating budget.)

At the same time in June, shortly after EBO issues its budget development guidelines to all state agencies, ABOR also establishes guidelines for the development of the universities continuation budget requests. The continuation budget guidelines set percentage limits for inflationary, or other increases to base budget categories, such as travel, supplies, equipment, utilities, and library materials. The ABOR

guidelines usually follow the EBO guidelines, but address areas not included by EBO (such as the costs of replacing technically obsolete equipment, and the costs of various library materials), and also establish equal budget request levels for the 22:1 enrollment growth formula at each university.

Beginning with the 1987 Fall Semester, the universities calculate FTE student enrollments by dividing lower division (freshman, sophomore), upper division (junior, senior), and graduate division semester credit hours (SCH) attempted by all students by 15, 12, and 10, respectively. The divisors represent full course loads for each of the three student levels.

Before Fall 1987, the FTE enrollment calculations divided both lower and upper division SCH attempted by 15, and graduate SCH attempted by 10. The JLBC staff calculated the funded enrollments reported above in accordance with this older methodology.

The ABOR internal audit staff audits the FTE student enrollments to assure that the universities report in accordance with Board policies.

On August 1, the universities submit their decision package requests to ABOR for Central Office review and analysis. By this time, the universities have filtered them through their own extensive seven month internal review and analysis processes. In general, a university's internal process includes vice presidential review of the decision packages submitted from within his or her own area of responsibility. The vice presidents then delete, or submit amended or unchanged decision package requests to the university

budget office. The budget office analyzes the requests before forwarding them, with recommendations, to a university budget committee composed of vice presidents and several other administrators. The committee decides which decision package requests the university will submit to ABOR, and their funding and priority levels subject to final presidential approval.

The ABOR receives the total state budget requests (continuation budget and decision packages) on August 25. The ABOR staff reviews the requests to assure compliance with ABOR guidelines, holds budget hearings for each university between August 25 and early September, and prepares recommendations for submission to the ABOR.

FINANCE COMMITTEE

The Finance Committee conducts budget hearings for each university toward the end of September, and prepares and forwards its budget recommendations for full Board approval at an October meeting.

The Finance Committee usually recommends, and ABOR usually approves, an "across the board" reduction of a couple of points from the percentage of the base budgets previously established for the decision package requests. (For 1988-1989, ABOR finally approved eight percent.) The board also approves a priority listing for each university's decision package requests, but does not establish a priority list of decision packages for the three university system.

EXECUTIVE AND LEGISLATIVE BUDGET REVIEW, ANALYSIS AND RECOMMENDATIONS

The Arizona Revised Statutes prescribe that all state agencies annually submit operating budget requests to EBO no later than October 15 (ARS 35-113). The universities usually submit their state operating budget requests on that date to both EBO and the Joint Legislative Budget Committee (JLBC) staff. Both EBO and JLBC receive copies of the August budget request submissions, and their analysts attend the hearings held by the ABOR Finance Committee.

According to ARS 35-111, "annually, not later than five days after the legislature convenes, the governor shall submit to the legislature a budget containing a complete plan of expenditures proposed to be made before the close of the ensuing fiscal year and all monies and revenues estimated to be available therefore, together with an explanation of the basis of such estimates and recommendations as to proposed legislation, if any, which he may deem necessary to provide revenues sufficient to meet such proposed expenditures."

The JLBC "consists of sixteen members, including the majority leaders of the senate and house of representatives, the chairmen of the senate and house appropriations committees, the chairman of the senate finance committee and the chairman of the house ways and means committee, five members of the senate and five members of the house of representatives who are members of their respective appropriations committees [and appointed by] the president of the senate and the speaker of the house..." (ARS 41-1271).

"The [JLBC] shall ascertain facts and make recommendations to the legislature relating to the state budget, revenues and expenditures of the state, future fiscal needs, the organization and functions of state agencies or divisions and such other matters incident to the above functions..." (ARS 41-1272).

ARS 41-1273 requires the JLBC to appoint a budget analyst to serve as staff director, and who "shall prepare for distribution an analysis of the governor's budget as soon after the budget is presented to the legislature as is possible. The analysis...shall include recommendations...for revisions in expenditures".

In reality, both EBO and JLBC staff perform independent analyses of state agency requests and submit independent recommendations to the legislature. The EBO and JLBC budget analysts visit the universities and work with ABOR Central Office staff and university personnel while developing their recommendations. Both analysts have a minimum of five months, from August 1 through December, to review and analyze the budget requests, identify issues, request additional information, and develop their recommendations for presentation to the legislature in January.

The house and senate appropriations committees expect the JLBC staff recommendations within a week or so after they receive the governor's recommendations. As a result, the legislative staff has little time, if any, to analyze the governor's recommendations.

Over the past ten years or so, neither the EBO nor the JLBC staff budget documents have addressed pertinent university budget issues, nor have they

provided the legislature with much detail describing the university budget requests and their own recommendations.

LEGISLATIVE SESSION, BUDGET HEARINGS AND ANNUAL APPROPRIATIONS

The annual legislative session begins on the second Monday in January, and usually lasts until mid April or early May. Both the house and senate appropriations committees work through subcommittees to develop state agency budgets.

Each of the house and senate appropriations subcommittees assigned to the universities usually hold one or two hearings related to each university's budget request. The average budget hearing for each university normally takes from one to two hours. Obviously, the subcommittees can hear few issues and little budget detail in that amount of time.

As a result, each session the ABOR Central Office staff and university personnel must spend time informing appropriations committee members and other key legislators (usually on a one to one basis) of university budget issues and details. The EBO and JLBC budget analysts also spend time in similar meetings with legislators, but usually their perspectives on issues and budgets significantly differ from those of university personnel.

The appropriations subcommittees develop their budget recommendations for each of the universities with assistance from the JLBC analyst, and occasionally from the EBO analyst, but usually without university personnel present. The full appropriations committees of both the house and the

senate subsequently approve their subcommittee's recommendations "as is", or in an amended form. The university budgets play a significant role in a process where each appropriations committee establishes a negotiating position with the other on the annual State of Arizona operating budget, also known as the "feed bill".

The appropriations committee negotiations occur during the "joint appropriations committee hearings", which normally begin in early April and last approximately two weeks. During this period, legislators, EBO and JLBC analysts and university personnel have much contact while negotiating budget changes and compromises. After both appropriations committees eliminate their fiscal differences and reach an agreement on a total state budget, the JLBC staff prepares the general appropriations bill for introduction in the House of Representatives. By custom, the bill is approved without amendment by the House of Representatives and the Senate, and forwarded to the governor, who can either sign or veto the entire bill, or exercise selective line item vetos.

A 25 YEAR STATE FUNDING, PRODUCTIVITY AND PERFORMANCE OUTPUT HISTORY

UNIVERSITY OF ARIZONA MAIN CAMPUS ARIZONA STATE UNIVERSITY MAIN CAMPUS NORTHERN ARIZONA UNIVERSITY

This section of the report deals only with ASU Main Campus, NAU, and UA Main Campus data. It excludes data related to ASU West, UA College of Medicine, and UA University Hospital, except where specifically noted in the text. Otherwise, the data become distorted when used to identify aggregate per student costs, for year to year budget comparisons, and for other budget outcomes.

The UA University Hospital, for example, became a not for profit corporation (with no state budget) in FY 1985, but in FY 1984 its state operating budget totaled \$59.2 million (with only \$4.5 million funded from the state general fund and the balance funded mainly from patient receipts). Also, the UA College of Medicine, with a current medical student headcount enrollment of 352 (but 785 FTE students), has a FY 1988 state operating budget of \$41.7 million (over \$53,000 per FTE student, while the FY 1988 cost per FTE student for ASU Main Campus, NAU, and UA Main Campus averages a little under \$7,000).

Furthermore, the ASU West Campus did not exist as a budget unit until FY 1985, when it had a 2,246 student headcount enrollment (but only 616 FTE students) and a state operating budget of \$1.9 million. For FY 1988, ASU West, a developing campus with high fixed costs, has a state operating budget of \$8.5 million, but only 922 FTE students (or over \$9,000 per FTE student).

STATE OPERATING BUDGETS

The funding sources for the State Operating Budgets consist of State General Fund appropriations, Collections, Other Receipts, and Balances Forward. (Please see page 1335 for detailed descriptions of the sources).

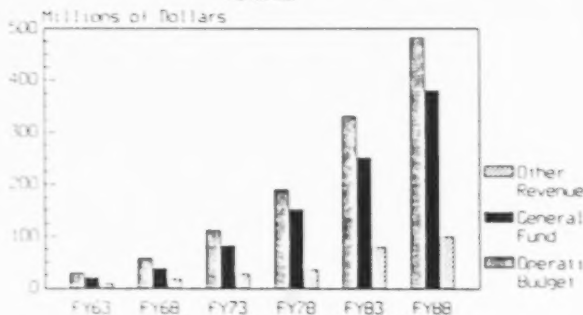
These revenues are deposited with the State Treasurer in university operating budget accounts, and expenditures are monitored and controlled by the State Department of Administration. Between FY 1963 and FY 1988, the

university state operating budgets grew 1.551 percent, from \$29,214,200 to \$482,397,600. The annual compounded (accumulated) increase of these budgets averaged 62.0 percent, while the year to year simple increase averaged 11.9 percent. [SEE TABLE I. AND FIGURE 1]

TABLE I.
STATE OPERATING BUDGETS

	(In \$ 000's)				
	FY 1962	FY 1982	Increase	% Inc	Comp Avg Yrly Inc
ASU	\$10,149.6	\$199,144.8	\$188,995.3	1,862	74.5%
NAU	2,390.9	66,903.3	64,512.4	2,698	107.9%
UA	\$16,674.7	\$216,745.5	\$200,070.8	1,198	47.9%
TOTAL	\$29,214.2	\$482,793.6	\$453,579.5	1,551	62.0%
					Simple Avg Yrly Inc
					11.9%

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
STATE OPERATING BUDGETS, GENERAL FUND
APPROPRIATIONS AND OTHER STATE BUDGET
REVENUE



When adjusted for inflation (the Higher Education Price Index [HEPI] expressed in 1967 dollars), these budgets grew 251 percent during this 25 year period (from \$34,945,200 to \$122,591,500), for an annual compounded average increase of 10.0 percent. The year to year simple increase averaged 5.2 percent. The HEPI increased an average of 6.4 percent per year during this time. [SEE TABLE II., AND FIGURE 2]

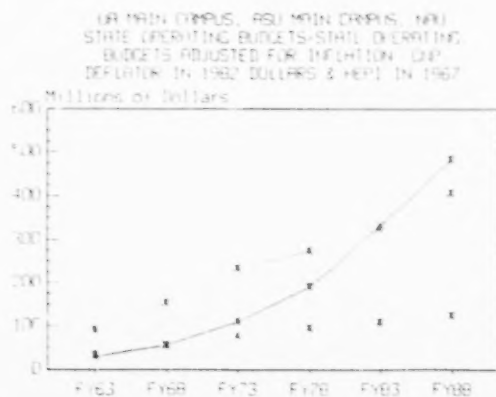


TABLE II.
STATE OPERATING BUDGETS ADJUSTED FOR INFLATION (HEPI IN 1967 DOLLARS)

	(In \$ 000's)				
	FY 1962	FY 1982	Increase	% Inc	Comp Avg Yrly Inc
ASU	\$10,149.6	\$199,144.8	\$188,995.3	1,862	74.5%
NAU	2,390.9	66,903.3	64,512.4	2,698	107.9%
UA	\$16,674.7	\$216,745.5	\$200,070.8	1,198	47.9%
TOTAL	\$29,214.2	\$482,793.6	\$453,579.5	1,551	62.0%
					Simple Avg Yrly Inc
					11.9%

STATE OPERATING BUDGETS BY STATE BUDGET PROGRAM

In FY 1974, the universities first presented their state legislative budget requests in the current six program format: Instruction, Organized Research, Public Service, Academic Support, Student Services, and Institutional Support.

In FY 1982, some state legislators successfully proposed separating the Agricultural Experiment Station and the Cooperative Extension Service from the UA Organized Research and Public Service programs, respectively. The legislature then appropriated funds for these two units as line items for several years. In FY 1985, UA moved these units within a seventh budget program, Agriculture, and subsequently included the College of Agriculture, Boyce Thompson Arboretum, and University Farms. For reporting purposes, however, we have included all of these Agriculture program budget units within their original six state budget programs.

In FY 1974, the universities reported the following state operating budgets by state budget program. [SEE TABLE III., AND FIGURES 3 AND 4]

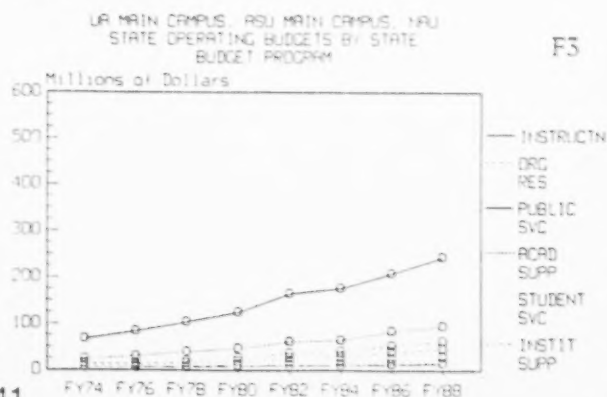
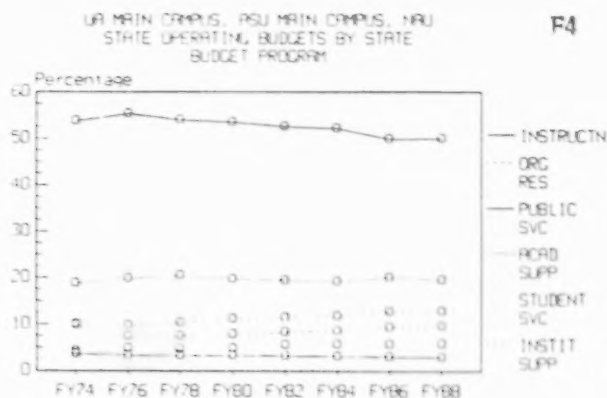


TABLE III
FY 1974 STATE OPERATING BUDGETS BY STATE BUDGET PROGRAM (IN \$ 000'S)

STATE PROGRAM	ASU	NAU	UA	TOTAL
Instruction % of Total	\$ 26,912.8 57.0	\$ 8,948.8 55.6	\$ 30,667.9 50.9	\$ 66,529.5 53.8
Organized Research % of Total	2,515.3 5.3	887.0 5.0	8,650.1(1) 14.3	12,052.4 9.7
Public Service % of Total	246.6 .5	470.3 2.9	3,720.0(2) 6.2	4,436.9 3.6
Academic Support % of Total	5,885.5 12.5	973.9 6.1	5,503.6 9.1	12,363.0 10.0
Student Services % of Total	2,406.9 5.1	716.3 4.5	2,052.8 3.4	5,176.0 4.2
Institutional Support % of Total	9,277.2 19.6	4,089.1 25.4	9,729.7 16.2	23,096.0 18.7
University Total % of Total	\$ 47,244.3 100.0	\$ 16,085.4 100.0	\$ 60,324.1(3) 100.0	\$ 123,653.8 100.0

(1) Includes \$5,890,500 budgeted for the Agricultural Experiment Station.
(2) Includes \$3,318,700 budgeted for the Cooperative Extension Service.
(3) When excluding the amounts identified in footnotes (1) and (2) above for state land grant university agriculture programs, UA's program budget percentages reported above change to: Instruction - 60.0; Organized Research - 5.4; Public Service - .8; Academic Support - 10.8; Student Services - 4.0; Institutional Support - 19.0.



The university program budget totals as percentages of total operating budgets also change with the above noted exclusions: Instruction - 58.1, Organized Research - 5.4, Public Service - 1.0, Academic Support - 10.8, Student Services - 4.5, Institutional Support - 20.2, [SEE FIGURE 5].

In FY 1988, the universities reported the following State Operating Budgets by State Budget Program, prior to a 1988

legislative expropriation. [SEE TABLE IV., AND FIGURES 3 AND 4]

TABLE IV
FY 1988 STATE OPERATING BUDGETS BY STATE BUDGET PROGRAM (IN \$ 000'S)

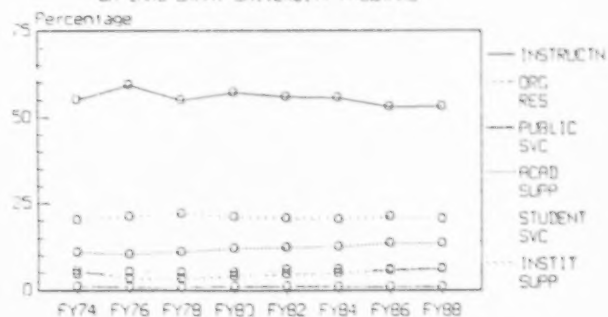
STATE PROGRAM	ASU	NAU	UA	TOTAL
Instruction % of Total	\$110,401.7 55.4	\$ 33,504.4 50.1	\$ 97,404.7 45.0	\$241,310.8 50.0
Organized Research % of Total	7,133.9 3.6	2,215.3 3.3	35,885.9(1) 16.6	5,235.1 9.4
Public Service % of Total	1,761.9 .9	777.9 1.2	11,141.1(2) 5.1	13,680.9 2.8
Academic Support % of Total	30,338.8 15.2	8,447.0 12.6	22,391.0 10.3	61,176.8 12.7
Student Services % of Total	11,135.2 5.6	5,299.4 7.9	11,167.9 5.2	27,602.5 5.7
Institutional Support % of Total	38,373.3 19.3	16,659.3 24.9	38,358.9 17.7	93,391.5 19.4
University Total % of Total	\$198,144.8 100.0	\$ 66,903.3 100.0	\$216,349.5(3) 100.0	\$482,397.6 100.0

(1) Includes \$18,064,100 budgeted for the Agricultural Experiment Station.
(2) Includes \$9,595,900 budgeted for the Cooperative Extension Service.
(3) When excluding the amounts identified in footnotes (1) and (2) above for state land grant university agriculture programs, UA's program budget percentages reported above change to: Instruction - 51.6; Organized Research - 9.5; Public Service - .8; Academic Support - 13.4; Student Services - 5.9; Institutional Support - 20.3.

The university program budget totals as a percentage of total operating budgets also change with the above noted exclusions: Instruction - 53.1; Organized Research - 6.0; Public Service - .9; Academic Support - 13.4; Student Services - 6.1; Institutional Support - 20.5. [SEE FIGURE 5]

The university program budget totals as a percentage of total operating budgets also change with the above noted exclusions: Instruction - 53.1; Organized Research - 6.0; Public Service - .9; Academic Support - 13.4; Student Services - 6.1; Institutional Support - 20.5. [SEE FIGURE 5]

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU STATE OPERATING BUDGETS AS PERCENT OF STATE OPERATING BUDGETS, ADJUSTED FOR UA LAND GRANT UNIVERSITY PROGRAMS



Between FY 1974 and FY 1988, the universities' Instruction budgets grew 263 percent, while decreasing slightly as a percentage of total state operating budgets. The Instruction budgets comprised 53.8 percent of the total in FY 1974, and 50.0 percent of the total 14 years later in FY 1988, or 58.1 and 53.1 percent, respectively, when adjusting for the UA land grant university programs. Most of this percentage decrease results from increasing budgets for direct instructional support services in the Academic Support program.

Between FY 1974 and FY 1988, the universities' Organized Research budgets grew 275 percent, while remaining stable as a percentage of total state operating budgets. The universities' Organized Research budgets comprised 9.7 percent of their total operating budgets in FY 1974, and 9.4 percent of the total in FY 1988, or 5.4 and 6.0 percent, respectively, when adjusting for the UA Agricultural Experiment Station.

Between FY 1974 and FY 1988, the universities' Public Service budgets grew 208 percent, while decreasing slightly as a percentage of total state operating budgets. The Public Service budgets comprised 3.6 percent of the total in FY 1974 and 2.8 percent in FY 1988, or 1.0 and .9 percent, respectively, when adjusting for the UA Cooperative Extension Service.

Between FY 1974 and FY 1988, the universities' Academic Support budgets grew 395 percent, while increasing slightly as a percentage of total state operating budgets. The universities' Academic Support budgets comprised 10.0 percent of their total operating budgets in FY 1974 and 12.7 percent of the total in FY 1988, or 10.8 and 13.5

percent, respectively, when adjusting for the UA land grant university programs. Most of this growth results from increasing budgets for libraries and computing services, which directly support students and faculty in the Instruction and Organized Research programs.

Between FY 1974 and FY 1988, the universities' Student Services budgets grew 433 percent, while increasing slightly as a percentage of total state operating budgets. The Student Services budgets comprised 4.2 percent of the total in FY 1974, and 5.7 percent of the total in FY 1988, or 4.5 and 6.1 percent, respectively, when adjusting for the UA land grant university programs. Most of this growth results from the implementation of decision packages for expanded programs for students, including minority student recruitment and retention.

Between FY 1974 and FY 1988, the universities' Institutional Support budgets grew 304 percent, while increasing slightly as a percentage of total state operating budgets. The Institutional Support budgets comprised 18.7 percent of the total in FY 1974, and 19.4 percent of the total in FY 1988, or 20.2 and 20.5 percent, respectively, when adjusting for the UA land grant university programs. Much of this growth results from increasing university utilities costs, and the implementation of decision packages providing maintenance support for new buildings.

GENERAL FUND APPROPRIATIONS

Between FY 1963 and FY 1988, general fund appropriations to the universities grew 1,772 percent, from \$20,421,900 to \$382,296,100. The annual compounded increase of these budgets averaged 70.9

percent, while the annual simple increase averaged 12.6 percent. [SEE TABLE V., AND FIGURE 1]

TABLE V.
STATE GENERAL FUND APPROPRIATIONS

Avg	(in \$ 000's)				Comp Avg		Simple
	FY 1963	FY 1988	Increase	% Inc	Yrly Inc	Yrly Inc	
ASU	\$ 7,568.9	\$153,362.8	\$145,793.9	1,926	77.0%	13.0%	
NAU	1,857.3	55,203.5	53,346.2	2,872	114.9%	14.8%	
UA	10,225.7	172,729.8	162,504.1	1,480	59.2%	11.8%	
TOTAL	\$ 20,421.9	\$382,296.1	\$361,874.2	1,772	70.9%	12.6%	

When adjusted for inflation (HEPI in 1967 dollars), the general fund appropriations grew 298 percent during this 25 year period (from \$24,428,200 to \$97,152,700), an average annual compounded increase of 11.9 percent.

The annual simple increase averaged 5.8 percent. The HEPI increased an average of 6.4 percent per year during this time. [SEE TABLE VI.]

TABLE VI.
STATE GENERAL FUND APPROPRIATIONS (HEPI IN 1967 DOLLARS)

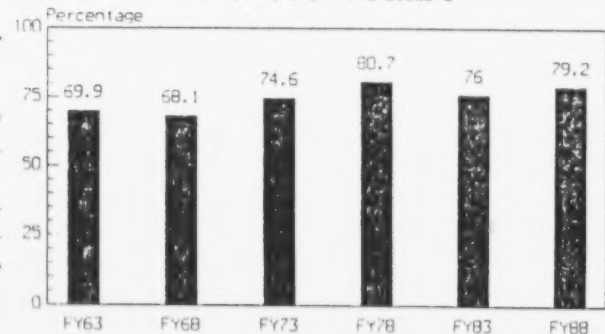
	(in \$ 000's)				Comp Avg		Simple Avg
	FY 1963	FY 1988	Increase	% Inc	Yrly Inc	Yrly Inc	
ASU	\$ 9,053.7	\$ 38,974.0	\$ 29,920.3	330.5	13.2%	6.2%	
NAU	2,221.7	14,028.8	11,807.1	531.4	21.3%	7.9%	
UA	12,152.8	44,149.9	32,997.1	271.7	9.4%	5.1%	
TOTAL	\$ 24,428.2	\$ 97,152.7	\$ 72,724.5	297.7	11.9%	5.8%	

Between FY 1963 and FY 1988, the university general fund appropriations, expressed as a percentage of the state operating budgets, have varied from a FY 1967 low of 65.5 percent to a FY 1987 (original budget prior to expropriation) high of 81.6 percent.

During the current fiscal year (prior to expropriation) the university general fund appropriations represent 79.2 percent of the state operating budgets. [SEE FIGURE 6]

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
GENERAL FUND APPROPRIATIONS AS PERCENT
OF STATE OPERATING BUDGETS

F6



OTHER STATE BUDGET REVENUE

Between FY 1963 and FY 1988, other state budget revenue grew 1,039 percent, from \$8,792,300 (ASU: \$2,580,700; NAU: \$533,600; UA: \$5,678,000) to \$100,101,500 (ASU: \$45,782,000; NAU: \$11,699,800; UA: \$42,619,700). The annual compounded increase of this revenue averaged 41.6 percent, while the annual simple increase averaged 10.6 percent. [SEE FIGURE 1]

When adjusted for inflation (HEPI in 1967 dollars), other state revenue grew 142 percent during this 25 year period (from \$10,517,200 to \$25,438,800), for an average annual compounded increase of 5.7 percent. The annual simple increase averaged 3.9 percent. The HEPI averaged a 6.4 percent increase per year during this time.

REGISTRATION FEES AND TUITION

Both in state (resident) and out of state (nonresident) students pay registration fees when enrolling at Arizona's universities. Students pay a per credit hour fee when enrolling for one to 6 hours per semester. Students who enroll for 7 or more semester credit hours pay the full fee.

Nonresident students also pay tuition at graduated rates from seven to 11 credit hours, and the full rate for 12 or more credit hours per semester.

Between FY 1963 and FY 1988, the semester full time registration fee increased \$494, or 475 percent, from \$104 to \$598 at the three universities.

The UA and ASU semester full time tuition charge increased \$1,416, or 472 percent, from \$300 to \$1,716, while NAU tuition increased \$1,280, or 776 percent, from \$165 to \$1,445, during this 25 year period.

SCHOLARSHIPS AND WAIVERS

Not all students pay registration fees and/or tuition. The ABOR authorizes the universities to award full and partial athletic, fine arts, undergraduate and graduate academic scholarships, and need based waivers to qualified students. The ABOR annually sets limits on the numbers of these awards.

For faculty, staff, and their spouses who enroll for from one to 6 credit hours, ABOR also waives all but \$25 of the registration fee (currently \$63 per credit hour). For the dependent sons and daughters of faculty and staff, ABOR waives 75 percent of the registration fee. During the 1988 academic year, the universities estimate they will award over 15,000 full and partial waivers to students, and to faculty, staff, and their spouses and dependents each semester. The universities also project the worth of these waivers at \$23.9 million, for the academic year, of which \$21 million will benefit students attending the universities on academic, athletic, fine arts and need based scholarships and waivers.

STATE COLLECTIONS

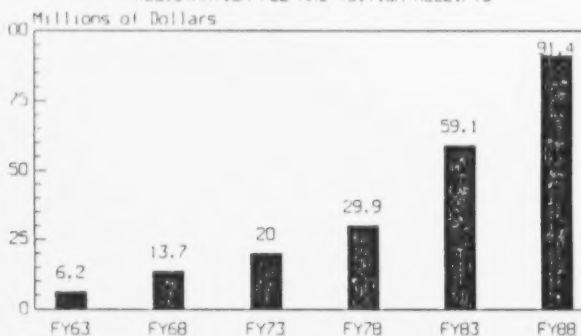
Fees and Tuition Supporting State Operating Budgets

For FY 1988, the universities project a total of \$124.3 million in registration fee and tuition receipts (ASU: \$59.7 million; NAU: \$16.6 million; UA: \$48.0 million). Of the \$124.3 million total, the universities will deposit with the State Treasurer \$91.4 million, or 73.5 percent, as part of the State Collections supporting their State Operating Budgets.

During the current fiscal year, State Collections total 91.3 percent of Other State Budget Revenue. Between FY 1963 and FY 1988, these receipts have grown \$85,211,600, or 1,373 percent, from \$6,207,800 (70.6 percent of \$8,792,300) to \$91,419,400. [SEE FIGURE 7]

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
RESIDENT/NONRESIDENT STUDENT
REGISTRATION FEE AND TUITION RECEIPTS

F7



If the legislature had appropriated capital outlay funds between FY 1980 and FY 1988, rather than having authorized the universities to issue revenue bonds to finance their construction needs, the universities' State Collections conceivably would now total \$110.6

million, rather than \$91.4 million in FY 1988. The \$19.2 million difference represents current university debt service payments on bonds issued mostly since FY 1979.

LOCAL COLLECTIONS

Fees and Tuition Supporting Local Budgets

For FY 1988, the universities will retain for their local budgets the balance of these receipts, an estimated \$32.9 million to fund: debt service of \$19.2 million (ASU: \$8.1 million; NAU: \$3.3 million; UA: \$7.8 million) on bonds issued to construct buildings; over \$3 million to match state appropriations for building renewal; over \$1 million for student financial aid set asides; and the balance for local operating budgets, such as alumni associations and associated students, and for physical plant maintenance.

STUDENT HEADCOUNT ENROLLMENTS

A student headcount enrollment reflects a body count of students enrolled during a semester on the twenty first calendar day following the first day of classes. The ABOR established the 21st day for counting students in 1976.

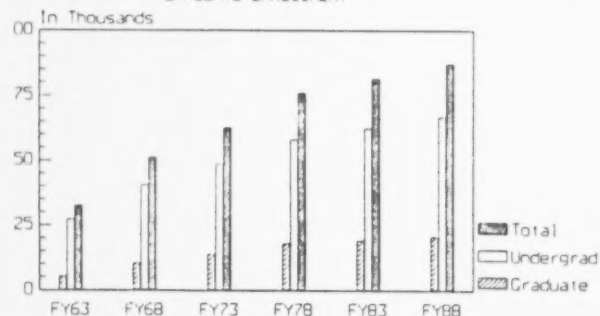
Between FY 1963 and FY 1988, the universities' student headcount enrollments grew 169 percent, from 32,396 to 87,119. The annual compounded increase in these enrollments averaged 6.8 percent. The annual simple increase averaged 4.1 percent (a 6.3 percent average annual increase during the first 12 years, and a 2.1 percent average annual increase during the past 13 years). [SEE TABLE VII., AND FIGURE 8]

TABLE VII.
STUDENT HEADCOUNT ENROLLMENTS

	FY 1963	FY 1988	Increase	% Inc	Comp Avg Yrly Inc	Simple Avg Yrly Inc
ASU	13,765	41,169	27,404	199.1	8.0%	4.5%
NAU	2,869	13,445	10,576	368.6	14.7%	6.7%
UA	15,762	32,505	16,743	106.2	4.2%	3.0%
TOTAL	32,396	87,119	54,723	168.9	6.8%	4.1%

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
TOTAL STUDENT HEADCOUNT ENROLLMENT,
UNDERGRADUATE ENROLLMENT AND
GRADUATE ENROLLMENT

F8



For both FY 1987 and FY 1988, however, the universities experienced fairly large headcount enrollment increases of 3.3, and 4.1 percent, respectively.

During this period, the three universities also experienced four years of double digit headcount enrollment growth over the prior year: FY 1964, 11.0 percent (UA-9.2%, NAU-16.6%, ASU-12.0%); FY 1965, 10.2 percent (UA-8.9%, NAU-19.7%, ASU-9.7%); FY 1966, 13.0 percent (UA-8.7%, NAU-31.4%, ASU-13.5%), and; FY 1976, 12.6 percent (UA-7.5%, NAU-10.4%, ASU-17.5%).

The universities also experienced three years of enrollment declines: FY 1977, -2.2 percent (UA, -.2%, NAU, +4.9%, ASU, -5.7%); FY 1983, -.3 percent (UA, -1.8%, NAU, -3.9%, ASU, +1.9%), and; FY 1985, -2.2 percent (UA, -.7%, NAU, +2.8%, ASU, -4.8%).

It should be noted that FY 1985 was the first year that ASU West enrollments

were reported separately from ASU Main Campus enrollments. In Fall 1987, 2,792 students enrolled at ASU West. If we include this count with the ASU Main Campus enrollment of 41,169, we find that ASU enrollments actually increased 30,196, or 219.4 percent over FY 1963, and the enrollments for the three universities (including ASU West) increased 57,515, or 177.5 percent.

UNDERGRADUATE HEADCOUNT ENROLLMENTS

Between FY 1963 and FY 1988, the universities' undergraduate student headcount enrollments grew 146 percent, from 27,132 to 66,693. The annual compounded increase in undergraduate enrollments averaged 4.6 percent, while the annual simple increase averaged 3.9 percent. [SEE TABLE VIII., AND FIGURE 8]

TABLE VIII.

UNDERGRADUATE STUDENT HEADCOUNT ENROLLMENTS

	FY 1963	FY 1988	Increase	% Inc	Comp Avg yrlly Inc	Simple Avg yrlly Inc
ASU	10,761	31,133	20,372	189.3	7.6%	4.4%
NAU	2,714	10,406	7,692	283.4	11.3%	5.9%
UA	13,657	25,154	11,497	84.2	3.4%	2.5%
TOTAL	27,132	66,693	39,561	145.8	5.8%	3.9%

Although undergraduate enrollments have grown 146 percent during this 25 year period, they also have experienced a significant decline as a percentage of total enrollments. During Fall 1962, 83.8 percent of the students enrolled at the universities were undergraduates (UA: 86.6%; NAU: 94.6%; ASU: 78.2%). By Fall 1988, however, undergraduates represented only 76.7 percent of the total students enrolled (UA: 77.4%; NAU: 77.4%; ASU: 75.6%).

Between FY 1968 and FY 1988, the mix between undergraduates and graduates at both UA and ASU have remained fairly stable, with generally only minor year to

year percentage changes (FY 1968 undergraduates: UA-78.3%; ASU-76.0%; FY 1988 undergraduates: UA-77.3%; ASU-75.6%).

NAU, however, has experienced a marked decline in undergraduates as a percentage of total headcount enrollments. As late as FY 1977, undergraduates represented 91.5 percent of NAU's total headcount enrollment, as compared with 77.4 percent in FY 1988.

It appears that a recent expansion by NAU of off campus course offerings in Maricopa County, Yuma, and other areas of the state may be the reason for this decline. During Fall 1987, 14.6 percent of NAU's total student headcount was enrolled in off campus courses. Only 400, or 20.4 percent of NAU's total off campus students enrolled in undergraduate courses.

Undergraduate students, however, represent nearly 90 percent of the total NAU on campus enrollment during the current fiscal year.

GRADUATE HEADCOUNT ENROLLMENTS

Between FY 1963 and FY 1988, graduate student headcount enrollments grew 15,162 or 288 percent, from 5,264 (UA: 2,105; NAU: 155; ASU: 3,004) to 20,426 (UA: 7,351; NAU: 3,039; ASU: 10,036). The annual compounded increase in graduate enrollments averaged 11.5 percent during this period, while the annual simple increase averaged 5.9 percent.

Graduate enrollments grew 249 percent and 234 percent, respectively, at UA and ASU during this 25 year period, and 1,861 percent at NAU. Again, NAU's

graduate enrollment growth appears to be the result of expanded off campus course offerings, virtually all of which is concentrated in education (1,520, or 97.4 percent, of NAU's 1,560 off campus graduate students are enrolled in education courses, as compared with 54.6 percent of the on campus graduate students).

FULL TIME EQUIVALENT (FTE) STUDENT ENROLLMENTS

A FTE student count converts all student enrollments to a full time basis, as compared with headcount enrollments which include both full and part time students. It also provides a generally accepted measure of academic and other workloads. The universities also count FTE students on the twenty first day following the first day of classes.

Beginning with Fall 1987, the universities now calculate their FTE student enrollments in the following manner: (1) total lower division (freshman, sophomore) semester credit hours (SCH) attempted by all students, by level of course (rather than by the level of the student taking the course) divided by 15 (considered to be a full time load for a lower division student) = Total Lower Division FTE Students; (2) total upper division (junior, senior) SCH attempted by all students, divided by 12 = Total Upper Division FTE Students; (3) the sums of (1) and (2) = Total Undergraduate FTE Students; (4) total graduate division SCH attempted by all students, divided by 10 = Total Graduate FTE Students; (5) the sums of (3) and (4) = Total FTE Students. For the purposes of this report, we refer to this calculation as the "NEW METHOD" of counting FTE students.

Because of the additional weight given upper division students over lower division students, the "New Method" produces an average of 8.7 percent more FTE students for FY 1988 than does the "Old Method" (UA: 7.6%; NAU: 8.5%; ASU: 9.6%).

From Fall 1976 to Fall 1986, the universities counted FTE students in the following manner: (1) total lower and upper division SCH attempted, by all students by course level, divided by 15 = Total Undergraduate FTE Students; (2) total graduate division SCH attempted, by all students by course level, divided by 10 = Total Graduate FTE Students; (3) the sums of (1) and (2) = Total FTE Students. For the purposes of this report, we refer to this calculation as the "OLD METHOD" of counting FTE students.

From some unknown time in the past until Fall 1975, the universities counted FTE students in the following manner: exactly the same as the "OLD METHOD" above, except that the SCH attempted were counted by the level of the student taking the course, rather than by the level of the course itself. For the purposes of this report, we also refer to this calculation as the "OLD METHOD" of counting FTE students.

FTE STUDENT ENROLLMENTS

New Method

One cannot accurately calculate FTE students prior to FY 1977. At that time the universities revised their methodology of counting SCH attempted from student level to course level. This change grossly distorts lower and upper division SCH and FTE student data when using the new method to calculate FTE students. Also, while total

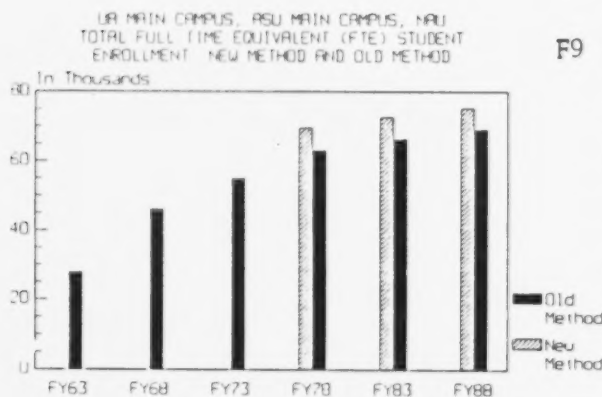
undergraduate SCH data are reliable, the accuracy of the mixes between lower division and upper division SCH data is somewhat questionable prior to FY 1977.

Between FY 1977 and FY 1988, FTE student enrollments (new method) grew from 67,276 to 75,210, or 11.8 percent. [SEE TABLE IX., AND FIGURE 9.]

TABLE IX.

FY 1977 AND FY 1988 FTE STUDENT ENROLLMENTS (NEW METHOD)

	FY 1977	FY 1988	Increase	% Inc	Comp Avg yely inc	Simple Avg yely inc
ASU	30,487	34,206	3,719	12.2	1.1%	1.1%
NAU	10,223	11,961	1,738	17.0	1.5%	1.5%
UA	26,566	29,043	2,477	9.3	.8%	.8%
TOTAL	67,276	75,210	7,934	11.8	1.1%	1.0%



When including the FY 1988 ASU West FTE student enrollment of 1,064 (new method) with the Main Campus enrollment, the total enrollment grew to 76,274 (ASU: 35,270), an increase of 8,998 (ASU: 4,783), or 13.4 percent (ASU: 15.7%).

With the ASU West FTE student enrollment included with the ASU Main Campus enrollment, the total university average annual compounded increase rises from 1.1 to 1.2 percent (ASU: from 1.1 to 1.4%), and the total university average annual simple increase rises from 1.0 to 1.1 percent (ASU: from 1.1 to 1.3%)

FTE STUDENT ENROLLMENTS

Old Method

The old method data reported below in Table X. provide an accurate comparison with the new method data reported above in Table IX..

TABLE X.

FY 1977 AND FY 1988 FTE STUDENT ENROLLMENTS (OLD METHOD)

	FY 1977	FY 1988	Increase	% Inc	Comp Avg yely inc	Simple Avg yely inc
ASU	27,684	31,203	3,519	12.7%	1.2%	1.1%
NAU	9,443	11,025	1,582	16.8%	1.5%	1.5%
UA	26,608	26,984	376	1.4%	.8%	.8%
TOTAL	61,735	69,212	7,477	12.1%	1.1%	1.1%

F9

Between FY 1977 and FY 1988, FTE student enrollments (old method) grew from 61,735 to 69,212, or 12.1 percent. [SEE TABLE X., AND FIGURE 9]

When including the FY 1988 ASU West FTE student enrollment of 922 (old method) with the ASU Main Campus enrollment, the total enrollment grew to 70,134 (ASU: 32,125), an increase of 8,399 (ASU: 4,441), or 13.6 percent (ASU: 16.0%).

With the ASU West FTE student enrollment included, the total university average annual compounded increase rises from 1.1 to 1.2 percent (ASU: from 1.2 to 1.5%), and the total university average annual simple increase also rises from 1.1 to 1.2 percent (ASU: from 1.1 to 1.4%).

Between FY 1963 and FY 1988, FTE student enrollments (old method) grew from 27,794 to 69,212, or 149.0 percent. [SEE TABLE XI., AND FIGURE 9]

TABLE XI.

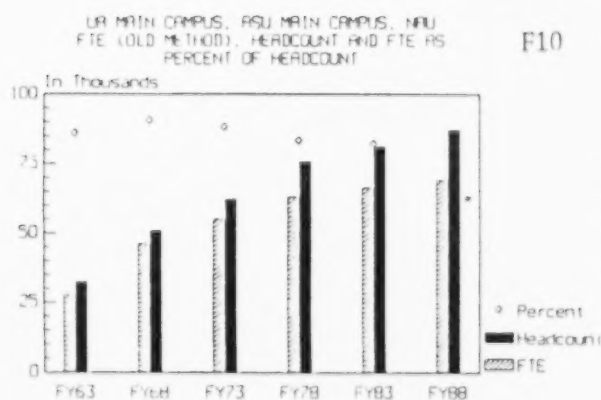
FY 1963 AND FY 1988 FTE STUDENT ENROLLMENTS (OLD METHOD)

	FY 1963	FY 1988	Increase	% Inc	Comp Avg yely inc	Simple Avg yely inc
ASU	11,181	31,203	20,022	179.1	7.2%	6.2%
NAU	2,717	11,025	8,308	305.8	12.2%	6.0%
UA	12,896	26,984	14,088	94.2	3.8%	2.8%
TOTAL	27,794	69,212	41,418	149.0	6.0%	3.8%

When including the FY 1988 ASU West FTE student enrollment of 922 with the ASU Main Campus enrollment, the total enrollments grew to 70,134 (ASU: 32,125), an increase of 42,340 (ASU: 20,944), or 152.3 percent (ASU: 187.3%).

With the ASU West FTE student enrollment included in the total, the universities' annual average compounded increase rises from 6.0 to 6.1 percent (ASU: from 7.2 to 7.5%), and the total university annual average simple increase rises from 3.9 to 4.0 percent (ASU: from 4.3 to 4.4%).

Over this period of 25 years, FTE student enrollments have declined as a percentage of headcount enrollments. In FY 1963, the universities' FTE student enrollments represented nearly 86 percent of their headcount student enrollments. By FY 1988, FTE student enrollments represented only about 79 percent of the headcount enrollments. [SEE FIGURE 10].



Every year, more and more students have enrolled part time rather than full time at the three universities. It appears that this trend will continue in future years.

20
1350

FTE enrollments jumped from about 86 percent in FY 1963 to a peak of around 90 percent of headcount between FY 1966 and FY 1972 (the Vietnam War era). Since FY 1973, FTE enrollments as a percentage of headcount enrollments have steadily dropped until reaching an all time low in FY 1988. [SEE TABLE XII. AND FIGURE 10]

TABLE XII.
FTE STUDENTS AS A PERCENTAGE OF HEADCOUNT STUDENTS

	FY 1963	FY 1988
ASU	81.2	75.8
NAU	94.7	82.0
UA	88.2	81.0
TOTAL	85.8	79.4

STATE OPERATING BUDGETS PER FTE STUDENT

Old Method

Between FY 1963 and FY 1988, the State Operating Budgets per FTE student grew 563 percent, from \$1,051 to \$6,970. The annual compounded increase in the budgets per FTE student averaged 22.5 percent, while the annual simple increase averaged 8.0 percent. [SEE TABLE XIII. AND FIGURE 11]

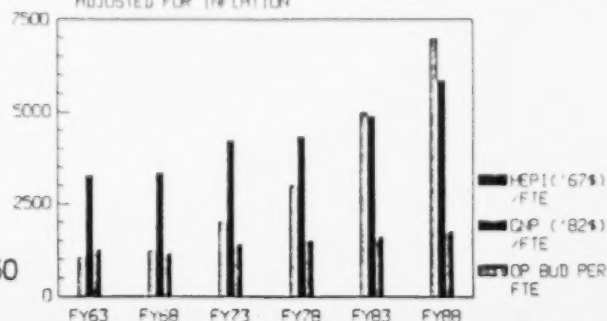
TABLE XIII.

STATE OPERATING BUDGETS PER FTE STUDENT

	FY 1963	FY 1988	Increase	% Inc	Comp Avg	Simple Avg
ASU	\$ 908	\$6,382	\$5,474	602.9	24.1%	8.2%
NAU	880	6,068	5,188	589.5	23.6%	8.2%
UA	1,200	8,018	6,818	568.2	22.7%	8.0%
TOTAL	\$1,051	\$6,970	\$5,919	563.2	22.5%	8.0%
UA ADJ (1)	\$ 937	\$6,993	\$6,056	646.3	25.9%	8.5%
TOTAL ADJ	\$ 920	\$6,570	\$5,650	614.1	24.6%	8.3%

(1) Excludes the state land grant university agriculture programs.

UI MAIN CAMPUS, ASU MAIN CAMPUS, NAU
OPERATING BUDGETS PER FTE STUDENT (OLD
METHOD), OPER BUDGETS PER FTE STUDENT
ADJUSTED FOR INFLATION



When adjusted for inflation (HEPI, 1967 dollars), the operating budgets per FTE student grew 41 percent during this 25 year period (from \$1,257 to \$1,771), for an average annual compounded increase of 1.6 percent. The annual simple increase averaged 1.5 percent. The HEPI increased an average of 6.4 percent per year during this time. [SEE TABLE XIV. AND FIGURE 11]

TABLE XIV.

STATE OPERATING BUDGETS PER FTE STUDENT, ADJUSTED FOR INFLATION

(HEPI IN 1967 DOLLARS)

	FY 1963	FY 1988	Increase	% Inc	Comp Avg Trly Inc	Simple Avg Trly Inc
ASU	\$1,086	\$1,622	\$ 536	49.4	2.0%	1.7%
NAU	1,053	1,542	489	46.4	1.9%	1.7%
UA	1,435	2,028	593	42.0	1.7%	1.5%
TOTAL	\$1,257	\$1,771	\$ 514	40.1	1.6%	1.5%
UA ADJ (1)	\$1,121	\$1,777	\$ 656	58.5	2.3%	1.9%
TOTAL ADJ	\$1,100	\$1,670	\$ 570	51.8	2.1%	1.8%

(1) Excludes the state land grant university agriculture programs.

In short, with FTE student enrollment growth considered, the universities' state operating budgets exceeded the rate of inflation by an average of 1.5 percent per year between FY 1963 and FY 1988.

When considering \$59 million in "one time" budget reductions (temporary, one year cuts that did not carry into the following year) the universities have suffered during Fiscal Years 1982, 1983, 1987, and 1988, however, their state operating budgets exceeded the average annual rate of inflation by only 1.0 percent.

STATE GENERAL FUND APPROPRIATIONS PER FTE STUDENT

Between FY 1963 and FY 1988, the universities' appropriations per FTE student grew 652 percent, from \$735 to \$5,524. The annual compounded increase in appropriations per FTE

student averaged 26.1 percent, while the annual simple increase averaged 8.6 percent. [SEE TABLE XV. AND FIGURE 12]

TABLE XV.

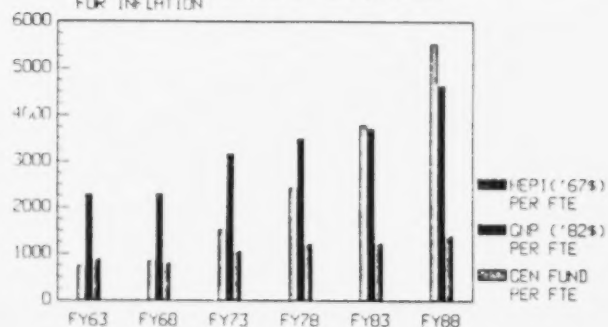
GENERAL FUND APPROPRIATIONS PER FTE STUDENT

	FY 1963	FY 1988	Increase	% Inc	Comp Avg Trly Inc	Simple Avg Trly Inc
ASU	\$ 677	\$4,915	\$4,238	626.0	25.0%	8.5%
NAU	684	5,007	4,323	632.0	25.3%	8.6%
UA	781	6,438	5,647	723.9	28.6%	8.9%
TOTAL	\$ 735	\$5,524	\$4,789	652.6	26.1%	8.6%
UA ADJ (1)	\$ 596	\$5,533	\$4,937	828.4	33.1%	9.9%
TOTAL ADJ	\$ 637	5,171	\$4,534	711.8	28.5%	9.4%

(1) Excludes the state land grant university agriculture programs.

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
GENERAL FUND PER FTE STUDENT (OLD METHOD)
GENERAL FUND PER FTE STUDENT ADJUSTED
FOR INFLATION

F12



When adjusted for inflation (HEPI, 1967 dollars), the general fund appropriations per FTE student grew 60 percent during this 25 year period, (from \$879 to \$1,404), for an average annual compounded increase of 2.4 percent. The annual simple increase averaged 2.0 percent, while inflationary increases averaged 6.4 percent per year. [SEE TABLE XVI. AND FIGURE 12]

TABLE XVI.

GENERAL FUND APPROPRIATIONS PER FTE STUDENT, ADJUSTED FOR INFLATION

(HEPI, IN 1967 DOLLARS)

	FY 1963	FY 1988	Increase	% Inc	Comp Avg Trly Inc	Simple Avg Trly Inc
ASU	\$ 810	\$1,249	\$ 439	54.2	2.2%	2.0%
NAU	818	1,272	454	55.5	2.2%	2.0%
UA	\$ 947	\$1,526	\$ 589	72.8	2.9%	2.4%
TOTAL	\$ 879	\$1,404	\$ 525	59.7	2.4%	2.0%
UA ADJ (1)	\$ 713	\$1,406	\$ 693	97.2	3.9%	2.8%
TOTAL ADJ	\$ 762	\$1,314	\$ 552	72.4	2.9%	2.1%

(1) Excludes the state land grant university agriculture programs.

In short, the universities' general fund appropriations per FTE student kept ahead of inflation at an average rate of 2.0 percent per year between FY 1963 and FY 1988.

When considering the \$59 million in "one time" budget reductions the universities have lost over four of the past 7 years, however, their general fund appropriations have exceeded average annual inflationary increases by only 1.5 percent.

UNIVERSITY DEGREES CONFERRED

From FY 1963 to FY 1987, the Arizona universities awarded 282,477 degrees to graduating students. [SEE TABLE XVII.]

Data published by the U.S. Department of Education, Center for Education Statistics, State Higher Education Profiles: 1985, indicates that while Arizona ranked 25th and 26th, respectively, among the states in undergraduate and graduate/-professional degrees produced by four year and above public institutions in 1985, it ranked first in both categories for degrees produced per institution.

TABLE XVII.
DEGREES CONFERRED: FY 1963 TO FY 1987

DEGREES CONFERRED	ASU	NAU	UA	TOTAL
Associate	-0-	469 (1)	-0-	469
Bachelor's	94,705	29,616	75,752	200,073
Master's/Specialist	28,711	9,545	29,717	67,973
Doctorate/Professional	5,458	401	8,103	13,962
Total Degrees Conferred	128,874	40,021	113,572	282,477

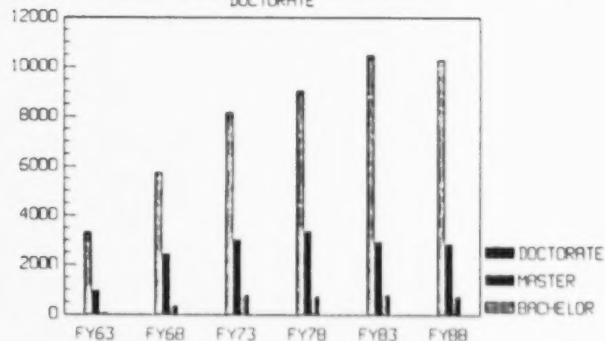
(1) NAU awarded Associate's degrees between FY 1973 and FY 1985

In FY 1963, the Arizona universities awarded 4,364 degrees, of which only 66 were doctorate or professional (law) degrees, to graduating students. [SEE TABLE XVIII. AND FIGURE 13] NAU conferred its first two doctorate degrees in FY 1973.

TABLE XVIII.
DEGREES CONFERRED IN FY 1963

DEGREES CONFERRED	ASU	NAU	UA	TOTAL
Bachelor's	1,482	307	1,528	3,317
Master's/Specialist	471	95	415	981
Doctorate/Professional	22	-0-	66	88
Total Degrees Conferred	1,975	402	2,009	4,386

UA MAIN CAMPUS, ASU MAIN CAMPUS, NAU
DEGREES CONFERRED: BACHELOR, MASTER,
DOCTORATE



During this 25 year period, the universities produced their lowest total of 74,364 degrees in FY 1963. From FY 1963 until FY 1977, degree production grew at a rate of about 600-700 per year. It appears that degree production has pretty much stabilized at an average of around 13,800 since FY 1977 (with a low of 13,189 in FY 1978, and a high of 14,281 in FY 1983).

Undergraduate degrees, when compared with total degrees produced, have averaged 70.8 percent of the total over this period. Undergraduate degree production hit an apex of 76.0 percent of total production in FY 1963, a nadir of 67.1 percent in FY 1977, experienced a general decline from FY 1966 to FY 1973 (a 68.3 percent average), grew steadily from then to stabilize at 74.2 to 74.3 percent of the total from FY 1984 to FY 1987.

Graduate degree production, of course, countered those trends exhibited for undergraduate degree production over

25 years. For the past four years, graduate degrees as a percentage of total degrees produced, are at their lowest levels since FY 1963.

TABLE XIX
DEGREES CONFERRED IN FY 1987

DEGREES CONFERRED	ASU	NAU	UA	TOTAL
Bachelor's	5,276	1,521	3,483	10,280
Master's/Specialist	1,115	486	1,248	2,849
Doctorate/Professional	261	62	418	741
Total Degrees Conferred	6,652	2,069	5,149	13,870

UNIVERSITY DEGREES CONFERRED AS A PERCENTAGE OF STUDENT HEADCOUNT ENROLLMENT

Total degrees conferred have averaged 17.2 percent of total student headcount enrollments over this 25 year period. These percentages grew from a low of 13.5 in FY 1963 to 14.9 in FY 1966, jumped to 16.1 in FY 1967 and grew rapidly until peaking at 19.3 in FY 1973.

Since then, total degrees conferred as a percentage of total student headcount enrollments have slowly, but steadily dropped to a modern day low of 16.6 percent in FY 1987. [SEE TABLE XX. AND FIGURE 14].

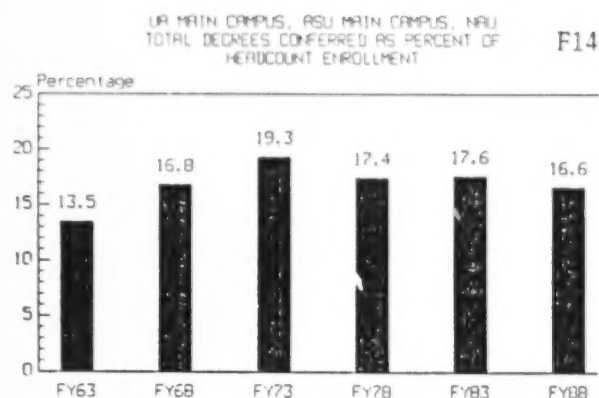
While the ASU and NAU percentages both peaked in FY 1973, along with the percentage for the three universities, UA, strangely, did not hit its peak (19.0 percent) until FY 1975. UA also has surpassed its FY 1967-1973 Vietnam era peak of 17.8 percent during 11 of the last 14 years.

These percentages are another indicator of full time and part time university enrollments, i.e.; low percentages correlate with high part time enrollments, and high percentages with low part time enrollments.

These percentages are another indicator of full time and part time university enrollments, i.e.; low percentages correlate with high part time enrollments, and high percentages with low part time enrollments.

TABLE XX
TOTAL DEGREES CONFERRED AS A PERCENTAGE OF TOTAL HEADCOUNT ENROLLMENTS

	ASU	NAU	UA	TOTAL
FY 1963	14.3	14.0	12.6	13.5
FY 1968	16.6	16.4	17.0	16.8
FY 1973	20.2	21.7	17.6	19.3
FY 1978	17.0	15.9	18.4	17.4
FY 1983	16.3	19.0	18.7	17.6
FY 1987	16.9	15.7	16.6	16.6



BACCALAUREATE DEGREES CONFERRED AS A PERCENTAGE OF UNDERGRADUATE ENROLLMENTS

Annual baccalaureate degrees produced by the Arizona universities have averaged 16.0 percent of undergraduate headcount enrollments over this 25 year period (ASU: 17.7%; NAU: 14.5%; UA: 14.5%). Although ASU has, on the average, fewer full time students than NAU and UA, ASU has much heavier upper division student enrollments than NAU and UA. ASU, thus, has higher graduation rates than either NAU or UA (junior and senior level students have greater potential for graduation than do freshman and sophomore level students).

This percentage consistently has stayed between 15.6 and 16.8 percent from FY 1970 to the present.

TABLE XXI.

BACCALAUREATE DEGREES AS A PERCENTAGE OF UNDERGRADUATE HEADCOUNT ENROLLMENTS

	ASU	NAU	UA	TOTAL
FY 1963	13.8	11.3	11.2	12.2
FY 1968	15.3	11.7	14.1	14.2
FY 1973	19.2	16.9	14.4	16.8
FY 1978	16.4	13.6	15.5	15.6
FY 1983	16.1	17.3	16.9	16.7
FY 1987	17.7	14.4	14.5	16.0

GRADUATE DEGREES CONFERRED AS A PERCENTAGE OF GRADUATE HEADCOUNT ENROLLMENTS

Annual graduate degrees produced by the Arizona universities have averaged 22.8 percent of graduate headcount enrollments over 25 years (ASU: 18.6%; NAU: 51.3%; UA: 25.5%). Between FY 1963-1966, this share grew from 19.9 to 23.4 percent. Not surprisingly, the percentage jumped to 27.0 in FY 1967, where it varied from 25.0 to 28.9 until FY 1973. (The Vietnam War era, again.)

TABLE XXII.

GRADUATE DEGREES AS A PERCENTAGE OF GRADUATE HEADCOUNT ENROLLMENTS

	ASU	NAU	UA	TOTAL
FY 1963	16.4	61.3	21.8	19.9
FY 1968	21.0	79.6	26.1	25.8
FY 1973	23.1	70.6	27.4	27.4
FY 1978	18.8	31.1	27.4	23.0
FY 1983	14.8	25.4	25.4	19.8
FY 1987	14.5	20.4	23.3	18.8

After FY 1973, this share began to decline fairly steadily to an all time low of 18.6 percent in FY 1987.

What is surprising is the rate at which NAU produced graduate degrees from FY 1963-1978, when it averaged 71.9 with a high of 101.3 in FY 1969 (460

graduate students, and 466 degrees conferred). During the earlier years of this study, relatively few numbers of NAU students enrolled full time in, and graduated from one year master's degree programs, thus producing these high percentages. Currently, the NAU percentages more closely resemble those of UA and ASU.

CONCLUSIONS AND RECOMMENDATIONS

STATE BUDGET DEVELOPMENT PROCESS AND BUDGET FORMS

- Only the governor's budget office (EBO) has the authority to effect any significant changes in the current state budget development process or budget request forms.

STATE BUDGET REQUEST CYCLE AND UNIVERSITY BUDGET REQUESTS

- The eighteen month university budget request cycle, and the detailed continuation budget and decision package requests which contain many workload and performance measures (or "accountability" measures, as Coopers and Lybrand refers to them), provide ample opportunity at all levels for meticulous review, analysis, issue development, and rational, objective decision making.
- The universities develop their budget requests in accordance with the guidelines, missions, and long and short range goals approved by ABOR.

- o The ABOR annually establishes an equal percentage of each university's most current state operating budget as a maximum amount for decision package requests. Although ABOR approves a priority ordering for each university's decision package requests, it does not establish priorities for the three university system.

The ABOR should establish a decision package request priority order for the three university system.

- o During the past decade, the EBO and JLBC budget documents have not addressed pertinent university budget issues, and have not provided substantive descriptions of the university budget requests, or their own budget recommendations. In addition, the house and senate appropriations subcommittees each conduct only one or two budget hearings, from one to two hours in length, for each university.

If legislators want more information and accountability from the Arizona universities, they should require the JLBC staff to identify budget issues, and provide descriptions of university requests and staff recommendations in the annual JLBC staff budget document.

The appropriations subcommittees also should spend more than one to two hours per session on each university's budget request if the members desire to learn more about university budgets.

- o The annual appropriations act establishes a funding level for each university, rather than for each

budget program within the university. This aggregate funding policy, along with an almost unlimited statutory authority to effect temporary and permanent base budget changes through the reallocation of funds (with ABOR approval), has provided university administrators with the flexibility to respond to targets of opportunity, react to legislative budget expropriations, and otherwise effectively, efficiently and creatively manage the institutions.

INFLATION AND UNIVERSITY BUDGETS

Inflation, as measured by the Higher Education Price Index (HEPI), rose 371 percent (an actual year to year average increase of 6.4 percent) in the 25 years between FY 1963 and FY 1988. The HEPI (in 1966-1967 dollars) increased from 83.6 in FY 1963 to a projected 393.5 for FY 1988. (The FY 1987 to FY 1988 increase is estimated at 4.2 percent, or the same as the prior year's increase.

- o When adjusted for inflation, the university state operating budgets grew 251 percent, an average annual simple increase of 5.2 percent, while General Fund appropriations grew 298 percent, an average annual simple increase of 5.8 percent.
- o When adjusted for both inflation and enrollment growth, however, the state operating budgets (per FTE Student) grew 41 percent, an average annual simple increase of 1.5 percent, while the General Fund appropriations per FTE student grew 60 percent, an

average annual simple increase of 2.0 percent.

- o This kind of state funding history has not produced a lot of "fat" in university budgets. When considering the universities' loss of \$59 million resulting from budget reductions over four of the past seven years, their annual state operating budgets and general fund appropriations have outpaced average annual inflationary increases by only 1.0 percent, and 1.5 percent, respectively.
- o If state funding continues at the same rate of growth in the future, the Arizona universities will not have the required resources if the state decides they should compete with the best public universities in the nation.

STATE OPERATING BUDGETS BY STATE PROGRAM

- o Over a fourteen year period since FY 1974, each program's share of the total state operating budget has changed insignificantly. Although Instruction budgets have dropped 3.8 points, from 53.8 percent to 50.0 percent of the total, the Academic Support and Student Services budgets have increased from 10.0 to 12.7 percent, and from 4.2 to 5.7 percent, respectively, for a total combined increase of 4.2 points.
- o Significant budget increases in computing and library services, which directly support the students served in the Instruction Program, have produced the growth in Academic Support programs. Additional funding for new and expanded programs for students in counseling,

tutoring, health, and the recruitment and retention of minority students have produced the growth in the Student Services programs.

- o Today's student clearly receives more, and better academic and student support services than he or she did twenty five, 14, or even 5 years ago.

REGISTRATION FEES AND TUITION

- o The Arizona universities still provide a relatively low cost education to both resident and nonresident students as compared with many public universities in other states. The ABOR recently decided to increase resident and nonresident student charges, respectively, from 20 to 25 percent, and from 80 to 85 percent of the "cost of education" (a formula that includes the Instruction and Student Services program budgets, and a portion of Academic Support and Institutional Support program budgets) over a period of several years.
- o It is moot whether or not the "cost of education" formula and the resulting registration fee and tuition structures are reasonable. The legislature generally uses the revenues produced annually from tuition and fee increases to offset (reduce) the general fund appropriations to the universities. The incentives to increase tuition and fees to higher levels lie not with ABOR and the universities, but instead with the legislature, which can use the additional revenue produced by tuition and fee increases to construct prisons,

increase health care funding for the needy, or for any other state programs or purposes.

THE ARIZONA LEGISLATURE SHOULD:

hold the universities harmless for all future tuition and fee increases by allowing them to retain the additional revenue in their local budgets for debt service, and some new and expanded programs, or;

permit the universities to retain all their registration fee and tuition revenue for the same purposes, while making offsetting reductions in the state operating budgets, most likely from the Student Services and/or Institutional Support programs.

Either of the above actions would:

place the incentive for increasing tuition and fees where it belongs, with ABOR and the universities, while reducing the pressure on the legislature for university general fund appropriations.

provide the universities with more flexibility to manage budget reductions during years of state general fund revenue shortfalls.

SCHOLARSHIPS AND WAIVERS

- o The ABOR has implemented in Arizona one of the most liberal scholarship and waiver policies for public universities in the United States. It appears, on the other hand, that direct state appropriations for student financial aid are lower in Arizona than in most other states.

BEFORE FURTHER MODIFYING ANY OF ITS CURRENT FINANCIAL AID POLICIES,

ABOR SHOULD:

- o undertake a study to determine how well Arizona compares with other states in all aspects of student financial aid.
- o The study should include a review of all current ABOR scholarship and waiver policies, university financial aid and loan programs, and state appropriations for financial aid.

UNIVERSITY ENROLLMENTS

- o Undergraduate enrollments have declined as a percentage of total headcount enrollments, although the mix between undergraduates and graduates has remained fairly stable at both UA and ASU since FY 1968 (around 77/23). Undergraduate enrollment at NAU, however, has dropped precipitously, from 91.5 percent in FY 1978 to 77 percent in FY 1988.

It appears that NAU's recent expansion of mostly graduate level course offerings into Maricopa County, Yuma, and other areas of the state may be the reason for this decline.

- o FTE student enrollments also have declined as a percentage of total headcount enrollments. This percentage peaked at around 90 during the Vietnam War era (FY 1966 to FY 1972) and has dropped steadily since then to an all time low of 79.4 in FY 1988. This means that more students

now enroll on a part time basis than during the Vietnam era. This decline has been so steady, and significantly large, that it now appears to be a trend for the future.

UNIVERSITY DEGREES CONFERRED

- o Degree production appears to have stabilized since FY 1977 at about 13,800 per year. Undergraduate degrees, as a percentage of total degrees conferred, also appear to have stabilized since FY 1984 at about 74 percent of the total, after experiencing steady increases from around 68 percent during the Vietnam War era.
- o Total degrees conferred have averaged just over 17 percent of student headcount enrollments over this 25 year period. This percentage grew from a 25 year low of 13.5 in FY 1963, peaked at 19.3 during the Vietnam era, and has steadily dropped since then to a modern day low of 16.6 in FY 1987. Strangely, the UA percentage did not peak until FY 1975 (19.0), and has surpassed the Vietnam era peak of 17.8 for 12 of the past 14 years.
- o ASU has higher annual baccalaureate degree graduation rates than NAU and UA (the 25 year averages for degrees as a percentage of undergraduate headcount enrollments are 16.7, 14.4 and 14.8, respectively), but not necessarily because ASU students are more persistent, or because ASU is more effective at moving students through the system. Although ASU has more part time students than either NAU and UA, ASU also has heavier upper division (junior and senior level) enrollments than either NAU or UA,

and upper division students have greater graduation potential than do lower division students.

- o NAU has produced more graduate degrees as a percentage of graduate headcount enrollments than have ASU and UA (the 25 year percentages average 51.3, 18.6, and 25.5, respectively). The NAU percentage, however, has dropped dramatically in recent years (20.4 in FY 1987, as compared with 14.5 at ASU, and 23.3 at UA. This percentage for the three universities jumped and peaked at 28.9 during the Vietnam era, and since has declined steadily to an all time low of 18.6 in FY 1987.
- o The degree data, as with the enrollment data, indicate that:
- o students probably are more likely to enroll full time during times of war than during times of peace, or at least during those times the Selective Service System operates a draft;
- o trends predict rising numbers of part time students, and falling numbers of full time students in future years.

The universities' strategic plans should consider the growing trend for part time, rather than full time, student enrollments.

DATA SOURCES

FY 1963-1966: UA, NAU, ASU
Operating Budget
Requests presented by
ABOR to the Arizona
Legislature

FY 1963-1989: UA, NAU, ASU
Legislative Budget
Requests

FY 1962-1987: UA, NAU, ASU Fall
Semester ABOR
Enrollment Reports